

**Environmental Portfolio Standard  
Economic, Small Business and Consumer Impact Statement**

**A. Economic, small business and consumer impact summary.**

**1. Proposed rulemaking.**

The proposed permanent rules R14-2-1801-1815 provides for the expansion of the environmental portfolio standard to increase the portion of electricity sold in Arizona that is produced from renewable energy resources.

**2. Brief summary of the economic impact statement.**

The public at large would benefit from an environmental portfolio standard that encourages a larger portion of the electricity sold in Arizona to be produced from renewable energy resources. Producing electricity from renewable energy resources has fewer adverse impacts on air, land, and water than producing electricity from conventional energy sources.

The cost to consumers of electric service would be \$0.004988 per kilowatt-hour of retail electricity purchased by the consumer with caps of \$1.05 per service per month for residential customers, \$39.00 per service per month for non-residential consumers whose demand is less than 3,000 kilowatts per month, and \$117.00 per service per month for non-residential consumers whose demand is 3,000 kilowatts or more per month.

Manufacturers and distributors of eligible renewable technologies would benefit because load-serving entities could meet a portion of their portfolio requirement through the installation of those eligible renewable technologies. Employees of those firms would be expected to have increased job opportunities.

A cost to load-serving entities would be the cost of complying with the reporting requirements, of filing plans, as well as the cost of procuring the renewable resources.

Probable costs to the Commission of the proposed rule would include costs associated with reviewing plans, coordination of working group activities, review of associated filings, and participation in related Commission hearings and meetings.

Adoption of the proposed permanent rule would increase the portion of electricity sold in Arizona that is produced from renewable energy resources.

**3. Name and address of agency employees to contact regarding this statement.**

Ray T. Williamson, Utilities Engineer, Engineering Section of the Utilities Division, at the Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007.

**B. Economic, small business and consumer impact statement.**

**1. Proposed rulemaking.**

The proposed permanent rules R14-2-1801-1815 provide for the expansion of an environmental portfolio standard to increase the portion of electricity sold in Arizona that is produced from renewable energy resources.

**2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.**

- a. the public at large
- b. consumers of electric service in Arizona
- c. potential and current electric service providers
- d. electric utilities
- e. investors in investor-owned utilities
- f. holders of bonds of cooperative utilities
- g. manufacturers and installers of renewable energy electric power plants in Arizona
- h. manufacturers and distributors of renewable energy systems
- i. employees of manufacturers of renewable energy electric power plants in Arizona
- j. employees of manufacturers and distributors of renewable energy systems
- k. public entities, such as schools, cities, counties, or state agencies.
- l. Arizona Corporation Commission

**3. Cost-benefit analysis.**

**a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.**

Probable costs to the Commission of the proposed rule would include the costs associated with reviewing plans, coordination of working group activities, review of associated filings, and participation in related Commission hearings and meetings.

**b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.**

Political subdivisions may benefit from the establishment of the Customer Directed effort, because the funds would be used to purchase Eligible Renewable Energy Resources for those entities.

In addition, local governments may benefit from increased property tax revenues resulting from renewable power plants being installed in Arizona.

- c. **Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditure of employers who are subject to the proposed rulemaking.**

A cost to Affected Utilities would be the cost of complying with the reporting requirements. The effect on the revenues or payroll expenditures of Affected Utilities would likely be minimal.

- 4. **Probable impact on private and public employment in businesses, agencies and political subdivisions of this state directly affected by the proposed rulemaking.**

Manufacturers and installers of renewable electric power plants in Arizona may hire additional employees. Manufacturers and distributors of a variety of Eligible Renewable Energy Resources may also hire additional employees. The impact on public employment would likely be minimal.

- 5. **Probable impact of the proposed rulemaking on small businesses.**

- a. **Identification of the small businesses subject to the proposed rulemaking.**

Businesses subject to the proposed rulemaking are Affected Utilities. Some of these businesses are small, but some are also large regional, national, or international firms.

- b. **Administrative and other costs required for compliance with the proposed rulemaking.**

A cost to small Affected Utilities would be the cost of complying with the reporting requirements as well as the cost of procuring the renewable resources.

- c. **A description of the methods that the agency may use to reduce the impact on small businesses.**

One method of reducing the impact on the small Affected Utilities would be to educate them on the requirements of the portfolio standard and the reporting requirements. Also, the Commission has placed caps on monthly surcharges to reduce impacts on all customers.

- d. **Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.**

The public at large would benefit from an environmental portfolio standard that encourages a larger portion of the electricity sold in Arizona to be

produced from renewable energy resources. Producing electricity from renewable energy resources has fewer adverse impacts on air and water than producing electricity from conventional sources.

The cost to consumers of electric service would be \$0.004988 per kilowatt-hour of retail electricity purchased by the consumer with caps of \$1.05 per service per month for residential customers, \$39.00 per service per month for nonresidential consumers whose demand is less than 3,000 kilowatts per month, and \$117.00 per service per month for nonresidential consumers whose demand is 3,000 kilowatts or more per month.

**6. Probable effect on state revenues.**

There may be a slight increase in state revenues resulting from increased sales taxes on the customer surcharge. There may also be increased income taxes resulting from an increase in Arizona manufacturing of renewable energy technologies.

**7. Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.**

The Commission is unaware of any less intrusive or less costly methods that exist for achieving the purpose of the proposed rulemaking.

**8. If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.**

The Commission commenced a series of five public comment workshops in 2004 and held two Special Open Meetings in 2005 to discuss the proposed EPS Rules amendments. Participants included government agencies, consumers, consumer advocates, current and potential Affected Utilities, power producers, environmental advocates, manufacturers of renewable energy technologies, and Commission Staff. Comments by industry experts provided estimates of various technology costs.

The Commission set caps on consumer costs to insure that the negative impact of the rulemaking would be small. All other impacts of the proposed rulemaking are expressed in qualitative terms.